# Australian treasurer to target age pensioners and the poor

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Australian treasurer Joe Hockey has again warned that the Liberal-National government's first budget to be brought down on May 13 will contain sweeping attacks on age pensions and the poorer sections of society.

In a speech last night further outlining his new "age of responsibility," Hockey insisted that cuts in the age pension and aged care had to be made in order to ensure that younger workers did not bear the burden of welfare programs.

This crude attempt to set one section of the population against another completely ignores the fact that pensioners and older workers have paid taxes all their lives, helping to finance the education of younger workers and those about to enter the workforce.

Echoing the infamous phrase of former British Prime Minister Margaret Thatcher that "there is no such thing as society," Hockey's longer-term goal, dictated by the financial interests he represents, is to eviscerate the entire social welfare system in the name of "personal responsibility."

Among the measures being considered is the lifting of the pension age to 70, following the rise from 65 to 67 instituted by the former Labor government.

The class character of the budget-cutting plans was also underscored by the fact that Hockey's speech came just hours after the government confirmed that it will outlay $12.5 billion for the purchase of 58 additional F-35 fighter jets, amid reports that discussions are underway to spend $40 billion on new submarines for the Australian Navy.

The government is also targeting health spending and the Medicare bulk billing system, funded by a tax levy, in which patients at present do not have to pay for visits to their local GP. "Nothing is free," he said. "It is appropriate that those who use government services should contribute to their cost."

It has been widely reported that the budget will include provisions for a $6 co-payment to be made for all visits to a doctor—a measure which will impact most heavily on poorer families and their children. Social welfare professionals have warned that the planned measure will directly hit those most in need.

Other measures foreshadowed in Hockey's speech, delivered to a forum organised by the right-wing *Spectator* magazine, include increased means testing for family tax benefits, changes to the government Pharmaceutical Benefits Scheme (PBS) to make users pay more, and the tightening of conditions for the receipt of unemployment benefits.

Hockey said that the PBS was now the tenth largest category of spending, with "nearly 80 percent of the scheme's expenditure … attributable to concessional recipients." These include age pensioners and other social welfare beneficiaries.

The budget cuts are being delivered under the mantra, repeated ad nauseam by Hockey, that "we all have to contribute." In fact, the cuts are being dictated by finance capital, which regards all public spending on social services as a deduction from the profits that should flow into its coffers. Banks and other financial institutions are assuming an ever larger portion of the Australian economy and are openly setting the agenda to be implemented by governments in the name of preventing a crisis of public spending.

According to Hockey, the fiscal problem is that the demand for government-funded programs is "outstripping the capacity of taxpayers to fund them." In fact, the "budget crisis" is in large measure a product of the major tax concessions and other handouts to the highest income earners and corporations in the period of the Howard and Rudd-Gillard Labor governments.

It is estimated that had these cuts not been made, the present deficit of $47 billion would have been more than covered. Not only has the government ruled out any increase in corporate taxes, it is planning to lower them in a bid to make Australia “internationally competitive” with low-tax regimes in Hong Kong and Singapore.

Research by Richard Dennis of The Australia Institute, published in the *Australian Financial Review* on Tuesday, has drawn attention to the large-scale handouts to the wealthiest layers of society via tax concessions for superannuation funds. Under these concessions, high income earners are taxed at a rate of only 15 percent on the contributions to their super funds, compared to the top marginal tax rate of 45 percent.

According to Treasury estimates, the cost to government revenue as a result of these concessions amounts to $35 billion, with 30 percent flowing to the top 5 percent of income earners.

Dennis pointed out that the top 1 percent of income earners get “three times as much benefit in the form of their superannuation tax concessions than they would have ever received from the age pension.”

At the same time, low-income earners are being penalised. Under new legislation being introduced by the Abbott government they will pay 15 percent on their compulsory superannuation contributions despite the fact that incomes up to $18,000 are tax free.

According to Dennis, the government’s retirement income policy “will tax the poor to subsidise the wealthy.” Tax concessions for superannuation were “not just the most inequitable form of entitlement, they are the fastest growing source of pressure on the budget bottom line.” He pointed out that tax concessions on superannuation were growing at a faster rate than expenditure on pensions.

Commenting on these findings in a radio interview last evening, Sydney University economist Michael Rafferty, a specialist in the field of finance and taxation, described the Australian superannuation tax system as a “world leader in gifting the rich so much money. It’s equivalent to a legalised family trust for rich people.”

He said it was an “obscenity” to leave these “family trusts” untaxed “while you’re going to take away from normal people’s ability to retire and make them retire later.”

Rafferty noted that the Australian pension was “very modest” by international standards and saying that it is excessive was “actually quite pernicious.” Presenting people who have worked all their lives as “welfare bludgers,” he commented, represented a “real new low” in political life.

Rafferty cast a revealing light on the role of the trade unions in helping to impose the government’s agenda, noting that their silence was bound up with their association with industry super funds. These funds, now estimated to be worth $360 billion, were set up under legislation by the Keating Labor government. Trade union officials occupy posts on their boards, often raking in fees and other benefits worth hundreds of thousands of dollars a year.

“You would have expected trade unions to oppose vigorously increasing the retirement age,” Rafferty told the interviewer. “But you’ve hardly heard a peep out of anyone in the trade union movement around this.”